

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: October 1, 2014

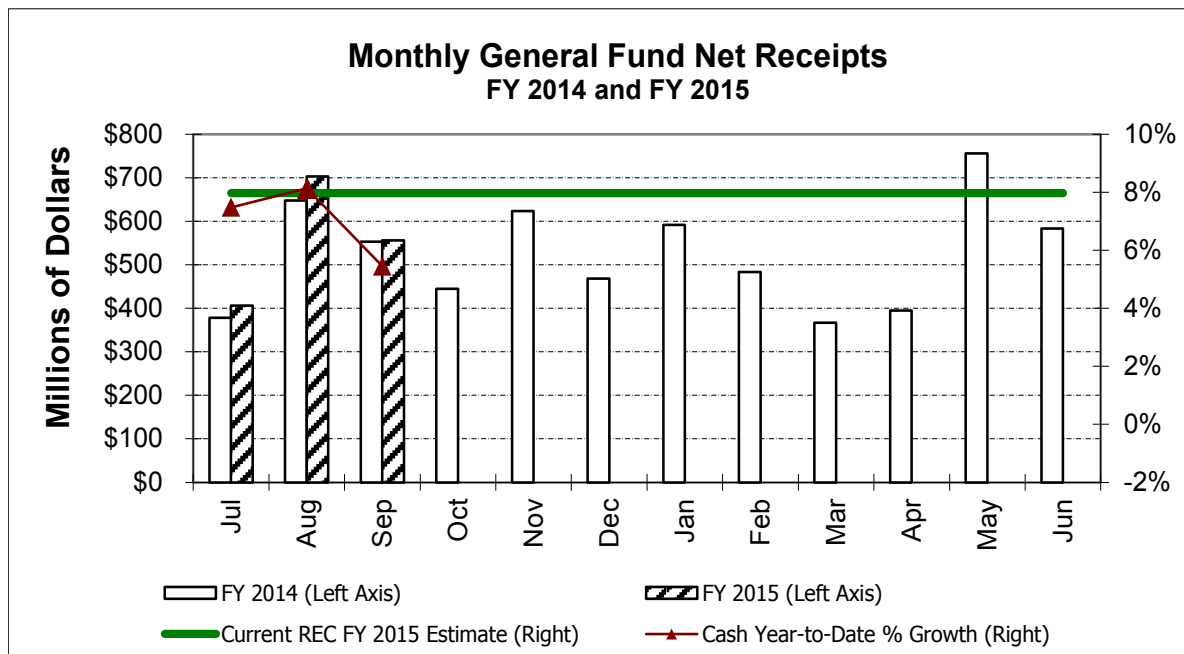
Monthly General Fund Receipts through September 30, 2014

The attached spreadsheet presents FY 2015 General Fund total net receipts with comparable figures for actual FY 2014. The figures can be compared to the FY 2015 estimate of \$6.802 billion set by the Revenue Estimating Conference (REC) on March 20, 2014. The FY 2015 estimate is an increase of \$502.6 million (8.0%) compared to FY 2014 total net receipts (excludes transfers), but does not include any FY 2015 revenue adjustments enacted after the last REC meeting. The next REC meeting is scheduled for October 9.

Final FY 2014 Net Revenue

FY 2014 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = -2.7%						
Year-to-Date Ending:	Year-to-Date FY 2013	Year-to-Date FY 2014	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
July	\$378.2	\$378.2	\$0.0	0.0%	-\$10.1	\$10.1
Aug	1,017.8	1,026.1	8.3	0.8%	-27.3	35.6
Sept	1,517.2	1,579.2	62.0	4.1%	-40.7	102.7
Oct	1,985.1	2,024.0	38.9	2.0%	-53.2	92.1
Nov	2,597.7	2,647.9	50.2	1.9%	-69.7	119.9
Dec	3,164.2	3,115.9	-48.3	-1.5%	-84.9	36.6
Jan	3,754.4	3,708.0	-46.4	-1.2%	-100.7	54.3
Feb	4,276.3	4,191.8	-84.5	-2.0%	-114.7	30.2
Mar	4,628.3	4,558.9	-69.4	-1.5%	-124.1	54.7
Apr	5,147.6	4,954.0	-193.6	-3.8%	-138.1	-55.5
May	6,065.5	5,710.0	-355.5	-5.9%	-162.7	-192.8
June	6,654.9	6,293.5	-361.4	-5.4%	-178.5	-182.9
Year end	6,651.8	6,300.1	-351.7	-5.3%	-178.4	-173.3
Adjustment for Transfers						-17.4
Year end net receipts, including transfers						-190.7
Note: FY 2014 REC estimate is adjusted for negative \$2.4 million in post-REC Legislative adjustments.						

Net General Fund revenue for FY 2014, excluding transfers totaled \$6.300 billion, a decrease of \$351.7 million (-5.3%) compared to FY 2013. The total FY 2014 net amount was \$173.3 million below the March 2014 REC estimate (adjusted for post-REC legislative changes). Adjusting for transfers that were \$17.4 million below projections, net General Fund revenue, including transfers, was \$190.7 million below the FY 2014 estimate.



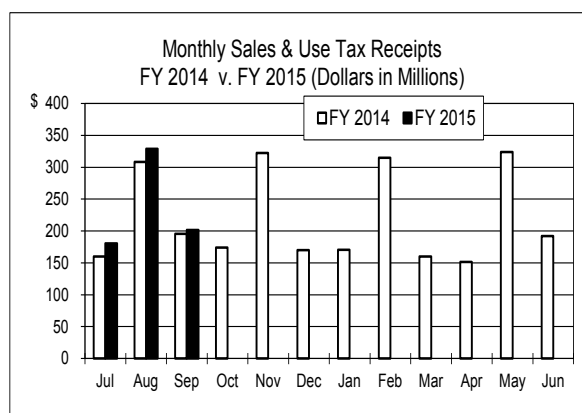
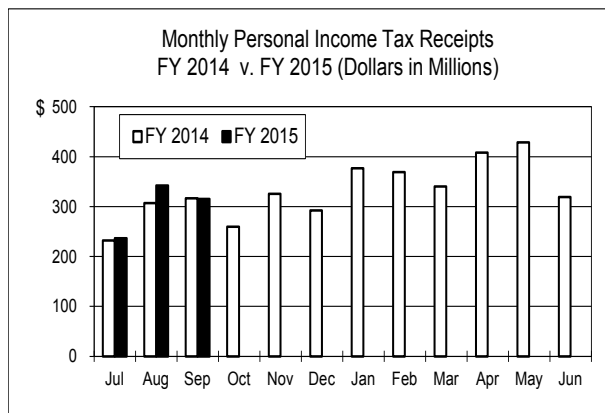
Overview of Current Situation

September 2014 net General Fund revenue was \$2.7 million (0.5%) above the September 2013 revenue level. After three months of the fiscal year, year-to-date net tax receipts are up \$86.3 million (5.5%). Major sources of tax revenue and their contribution to the September 2014 change include:

- Personal income tax (positive \$37.9 million, 4.4%)
- Sales/use tax (positive \$47.2 million, 7.1%)
- Corporate tax (negative \$23.7 million, -17.2%)
- Other taxes (negative \$1.4 million, -1.6%)
- Other receipts (negative \$0.2 million, -0.3%)
- Tax refunds not including school infrastructure refunds (positive \$12.2 million)
- School infrastructure sales/use tax refunds (positive \$14.0 million)

Personal Income Tax revenue received in September totaled \$315.1 million, a decrease of \$1.7 million (-0.5%) compared to September 2013.

The FY 2015 REC income tax estimate of \$4.291 billion represents a projected increase of 8.0% compared to actual FY 2014. Through September, personal income tax receipts have increased \$37.9 million (4.4%). By subcategory, withholding payments increased \$42.4 million (5.8%), estimate payments decreased \$2.7 million (-2.5%), and payments with returns decreased by \$1.8 million (-7.7%). The following chart compares FY 2015 monthly income tax receipts from the three personal income tax subcategories with FY 2014.



Sales/Use Tax receipts received in September totaled \$201.3 million, an increase of \$5.9 million (3.0%) compared to September 2013.

The REC estimate for FY 2015 sales/use tax receipts is \$2.753 billion, an increase of 4.2% compared to actual FY 2014. Through September, gross sales/use tax receipts have increased \$47.2 million (7.1%). The preceding chart compares FY 2015 monthly sales/use tax receipts with FY 2014.

Corporate Tax receipts received in September totaled \$84.2 million, an increase of \$17.2 million (25.7%) compared to September 2013.

The REC estimate for FY 2015 corporate tax revenue is \$610.0 million, an increase of 11.0% compared to actual FY 2014. Through September, gross corporate tax revenue is down \$23.7 million (-17.2%).

Other tax receipts received in September totaled \$17.1 million, an increase of \$0.2 million (1.2%) compared to September 2013. An increase of \$0.6 million in inheritance tax outweighed the decreases of \$0.1 million in beer tax, \$0.2 million in franchise tax, and \$0.1 million in miscellaneous tax in September.

The REC estimate for FY 2015 other tax receipts is \$269.8 million, an increase of 5.3% compared to actual FY 2014. Through September, other tax receipts have decreased \$1.4 million (-1.6%).

Other receipts (non-tax receipts) received in September totaled \$18.9 million, a decrease of \$1.1 million (-5.5%) compared to September 2013.

The REC estimate for FY 2015 other receipts revenue is \$270.0 million, a decrease of 6.6% compared to actual FY 2014. Through September, other receipts have decreased \$0.2 million (-0.3%).

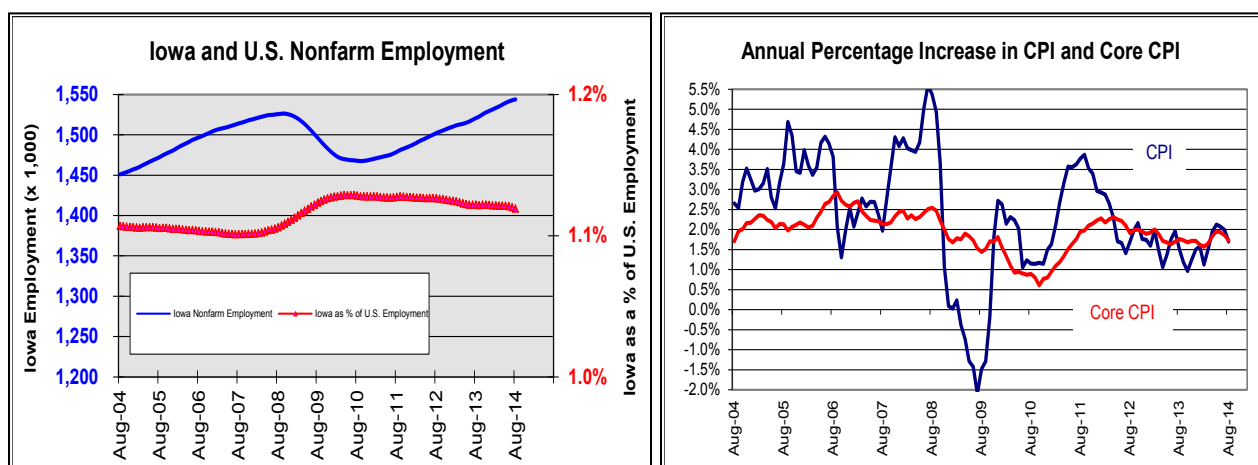
Tax Refunds issued in September totaled \$22.9 million, a decrease of \$3.9 million (-14.9%) compared to September 2013. In addition, school infrastructure refunds totaled \$58.6 million in September, an increase of \$21.9 million compared to September 2013.

Status of the Economy

Iowa nonfarm employment was reported at 1,542,800 for the month of August 2014 (not seasonally adjusted), 12,400 higher (1.0%) than August 2013.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,544,000, resulting in an annual average Iowa nonfarm employment level 17,600 jobs above the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010 and currently is at its lowest level since May 2009.



The Consumer Price Index (CPI-U) through August 2014 was 237.8 (1983/84=100). Consumer prices decreased 0.02% in August (not seasonally adjusted). The annual rate of inflation dropped to 1.7% from the previous month's level of 2.0%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.07% in August and stood at 1.7% year-over-year. The annual rate of core inflation has been at or below 2.0% since July 2012. For the two components excluded from the core rate, energy prices are up 0.4% year-over-year while food prices were up 2.6%.

Information related to State General Fund receipts is available on the Fiscal Services Division website at: <https://www.legis.iowa.gov/publications/fiscal/dailyReceipts>.

GENERAL FUND RECEIPTS - FY 2014 vs. FY 2015 July 1 through September 30 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 14 Actual Compared to FY 15 REC Estimate		
	FY 2014	FY 2015	Year to Date % Change	September % Change	Actual FY 2014	Estimate FY 2015	Projected % Change
Personal Income Tax	\$ 855.7	\$ 893.6	4.4%	-0.5%	\$ 3,974.8	\$ 4,291.4	8.0%
Sales/Use Tax	663.5	710.7	7.1%	3.0%	2,642.3	2,753.0	4.2%
Corporate Income Tax	137.6	113.9	-17.2%	25.7%	549.6	610.0	11.0%
Inheritance Tax	21.8	22.2	1.8%	7.9%	91.0	98.7	8.5%
Insurance Premium Tax	48.9	51.4	5.1%	0.0%	105.5	107.5	1.9%
Cigarette Tax	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
Tobacco Tax	1.4	0.0	-100.0%	0.0%	1.4	0.0	-100.0%
Beer Tax	4.2	4.1	-2.4%	-6.7%	14.1	14.9	5.7%
Franchise Tax	13.0	10.2	-21.5%	-2.6%	42.9	47.6	11.0%
Miscellaneous Tax	0.1	0.1	0.0%	-100.0%	1.2	1.1	-8.3%
Total Gross Taxes	\$ 1,746.0	\$ 1,806.2	3.4%	3.7%	\$ 7,422.8	\$ 7,924.2	6.8%
Institutional Payments	3.9	4.7	20.5%	40.0%	12.8	11.1	-13.3%
Liquor Profits	22.6	25.8	14.2%	-9.6%	96.6	96.0	-0.6%
Interest	0.5	0.6	20.0%	-50.0%	3.4	3.5	2.9%
Fees	6.7	7.3	9.0%	26.7%	28.8	26.5	-8.0%
Judicial Revenue	15.6	14.2	-9.0%	-14.5%	104.0	102.6	-1.3%
Miscellaneous Receipts	10.0	6.5	-35.0%	0.0%	43.4	30.3	-30.2%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
TOTAL GROSS RECEIPTS	\$ 1,805.2	\$ 1,865.2	3.3%	3.4%	\$ 7,711.8	\$ 8,194.2	6.3%
Accrued Revenue-Net**					-16.2	23.1	
Tax Refunds *	-85.4	-73.2	-14.3%	-14.9%	-955.3	-974.3	2.0%
School Infrast. Refunds *	-140.7	-126.7	-10.0%	59.7%	-440.4	-440.5	0.0%
TOTAL NET RECEIPTS	\$ 1,579.1	\$ 1,665.4	5.5%	0.5%	\$ 6,299.9	\$ 6,802.5	8.0%
<p>* For FY 2014 and FY 2015 Year-to-Date columns, refunds are presented on a cash basis. For FY 2014 Actual and FY 2015 Estimate, refunds are presented on a fiscal year basis.</p> <p>** The FY 2014 Accrued Revenue-Net is final.</p>							